

COUNTY OF SAN BERNARDINO
CALIFORNIA
SPECIAL DISTRICTS
AUDIT REPORT
CRESTLINE SANITATION DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Prepared by:

Internal Audits Section
Office of the Auditor/Controller-Recorder
October 1, 2004

**County of San Bernardino Special Districts
Crestline Sanitation District**

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LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK
Assistant Auditor/Controller-Recorder
Assistant County Clerk

Independent Auditor's Report

October 1, 2004

Tom Sutton, Director
Office of Special Districts
157 W. Fifth Street, Second Floor
San Bernardino, CA 92415-0450

**SUBJECT: AUDIT OF CRESTLINE SANITATION DISTRICT FOR THE FISCAL YEAR
ENDED JUNE 30, 2004**

Introductory Remarks

In compliance with Section 26909 of the California Government Code, we have completed an audit of Crestline Sanitation District for the fiscal year ended June 30, 2004.

Auditor's Report

We have audited the accompanying financial statements of the business-type activities of Crestline Sanitation District (the District), a component unit of the County of San Bernardino, California, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2004, and the respective changes in its financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and the state regulations governing Special Districts.

The District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By:

Barbara K. Redding, CPA, CGFM
Internal Audits Manager

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**County of San Bernardino
Crestline Sanitation District
Statement of Net Assets
Proprietary Funds
June 30, 2004**

	<u>Enterprise Fund Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,488,316
Accounts receivable	273,102
Taxes receivable	58,475
Interest receivable	26,821
Due from other governments	8,142
Total current assets	<u>6,854,856</u>
Noncurrent assets:	
Capital assets:	
Land	213,308
Construction in progress	281,609
Structures and improvements	22,118,742
Equipment and vehicles	1,329,974
Less accumulated depreciation	<u>(14,428,365)</u>
Total noncurrent assets	9,515,268
Total assets	<u>\$ 16,370,124</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 7,370
Salaries and benefits payable	80,440
Current portion of loans payable	107,975
Total current liabilities	<u>195,785</u>
Noncurrent liabilities:	
Noncurrent portion of loans payable	1,225,447
Employee compensated absences	110,389
Total noncurrent liabilities	<u>1,335,836</u>
Total liabilities	<u>1,531,621</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,181,846
Unrestricted	<u>6,656,657</u>
Total net assets	<u>14,838,503</u>
Total liabilities and net assets	<u>\$ 16,370,124</u>

**County of San Bernardino
Crestline Sanitation District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2004**

	Enterprise Fund Sewer
OPERATING REVENUES	
Charges for services	\$ 1,599,695
Other services	31
Total operating revenues	<u>1,599,726</u>
OPERATING EXPENSES	
Salaries and benefits	1,495,282
Professional services	75,495
Services and supplies	585,307
Utilities	79,436
Rents and leases	1,071
Other operating expenses	86,251
Depreciation	<u>556,596</u>
Total operating expenses	<u>2,879,438</u>
Operating Income (Loss)	<u>(1,279,712)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	119,501
Property taxes	780,903
Special Assessments	172,170
Other taxes	31,479
State aid	30,296
Gain on sale of fixed assets	23,836
Other nonoperating revenues	3,869
Interest expense	<u>(24,356)</u>
Total nonoperating revenues (expenses)	<u>1,137,698</u>
Change in net assets	(142,014)
Net assets - beginning	<u>14,980,517</u>
Net assets - ending	<u><u>\$ 14,838,503</u></u>

**County of San Bernardino
Crestline Sanitation District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from user charges	\$ 1,731,010
Cash payments to suppliers of goods and services	(925,895)
Cash payments to employees for services	(1,449,325)
Net cash provided (used) by operating activities	<u>(644,210)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Taxes Received	984,552
Grants Received	30,296
Other non operating expense	3,869
Net cash provided (used) by noncapital financing activities	<u>1,018,717</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from sale of fixed assets	23,836
Acquisition of fixed assets	(80,387)
Principal paid on bonds and notes	(83,619)
Interest paid on bonds and notes	(24,356)
Net cash provided (used) by capital and related financing activities	<u>(164,526)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale and maturities of investments	119,501
Interest revenue	119,501
Net cash provided by investing activities	<u>239,002</u>

Net increase (decrease) in cash and cash equivalents	329,482
Balance -- beginning of the year	6,158,346
Balance -- end of the year	<u>\$ 6,487,828</u>

Reconciliation of operating income (loss) to net cash provided

(used) by operating activities:	
Operating income (loss)	\$ (1,279,712)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	556,596
Change in assets and liabilities:	
Receivables, net	131,284
Accounts and other payables	(52,378)
Net cash provided by operating activities	<u>\$ (644,210)</u>

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Crestline Sanitation District (the District) is a special district located within the County of San Bernardino. The District has governmental powers as established by the San Bernardino County Government Charter (the County). The County was established in 1852 as a legal subdivision of the State of California.

The District was established by an act of the Board of Supervisors of the County of San Bernardino on January 21, 1946, to provide sewer services to the Lake Gregory area. The District operates and maintains three treatment plants, 90 miles of collection systems, 14-mile effluent outfall line, and an effluent disposal site. The District currently serves 5,492 residential and commercial connections.

The District is a component unit of the County. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and significant relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the County's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the County.

The accompanying financial statements reflect only the accounts of Crestline Sanitation District and are not intended to present the financial position of the County taken as a whole.

Measurement focus, basis of accounting, and financial statement presentation

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Proprietary funds are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The transactions of the District are accounted for on a flow of *economic resources measurement focus*. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is charges to customers for sanitation services. Operating expenses for enterprise funds include the cost of salaries and benefits, services and supplies, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

All activities of the District are accounted for within a single proprietary (enterprise) fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. The modified accrual basis of accounting is used for the agency fund. The fund is used to account for the accumulation of resources for, and payment of, the bonds issued under the Improvement Act of 1915 for certain sewer improvements.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities. Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy. Authorized investments include U. S. Government Treasury and Agency securities, bankers' acceptances, commercial paper, medium term notes, mutual funds, repurchase agreements, and reverse repurchase agreements.

Interest income, and realized gains and losses earned on pooled investments are deposited quarterly to the District's accounts based upon the District's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the District annually. Cash and cash equivalents are shown at fair value as of June 30, 2004.

Receivables and payables

The allowance for doubtful accounts is subtracted from gross receivables on the Balance Sheet to show the net receivable balance. All accounts receivables are shown net of an allowance for uncollectibles when applicable.

Accounts receivable balance for the year ended June 30, 2004 was as follows:

<u>Gross Receivables</u>	<u>Allowance for Doubtful Accounts</u>	<u>Ending Balance</u>
\$278,507	\$5,105	\$273,102

Property taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on the March 1 lien date and become delinquent with penalties on August 31.

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Capital assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the enterprise fund. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of one (1) year. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structures and Improvements	20 – 45
Utility Plant in Service	45
Equipment and Vehicles	5 – 15

Net assets

Net assets comprise the various net earnings from operating and nonoperating revenues, expenses and contribution of capital. Net assets are classified in the following three components:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors, grantors, contributors, or laws or regulations, of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consist of net assets of the District that are not restricted for any project or other purpose.

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Employee compensated absences

Accumulated vacation, holiday benefits, sick pay and compensatory time are recorded as an expense and liability as the benefits are earned. Compensated absence liabilities are recorded as a noncurrent liability. The District is not obligated to pay for unused sick leave if an employee terminates or retires before 10 years of continuous service.

Compensated absences activity for the year ended June 30, 2004 was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
\$86,994	\$74,859	\$51,464	\$110,389

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CAPITAL ASSETS

Capital assets activities during the year were as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Capital assets, not being depreciated:				
Land	\$ 213,308	\$ -	-	\$ 213,308
Construction in Progress	566,460	2,504	(287,355)	281,609
Total capital assets, not being depreciated	779,768	2,504	(287,355)	494,917
Capital assets, being depreciated:				
Land Improvements	3,482,423	13,552,859	-	17,035,282
Structures	5,083,460	-	-	5,083,460
Utility Plant in Service	13,196,060	-	(13,196,060)	-
Equipment and Vehicles	1,370,095	44,164	(84,285)	1,329,974
Total capital assets, being depreciated	23,132,038	13,597,023	(13,280,345)	23,448,716
Less accumulated depreciation for:				
Land Improvements	(903,794)	(10,043,176)	-	(10,946,970)
Structures	(2,363,580)	(98,707)	-	(2,462,287)
Utility Plant in Service	(9,664,416)	-	9,664,416	-
Equipment and Vehicles	(988,051)	(115,342)	84,285	(1,019,108)
Total accumulated depreciation	(13,919,841)	(10,257,225)	9,748,701	(14,428,365)
Total capital assets, being depreciated, net	9,212,197	3,339,798	(3,531,644)	9,020,351
Business-type activities capital assets, net	\$ 9,991,965	\$ 3,342,302	\$ (3,818,999)	\$ 9,515,268

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 2: CAPITAL ASSETS- *Continued*

At July 1, 2003, the County made the following restatements to capital assets:

Reclassified utility plant to land improvement	\$	13,196,060
Reclassified utility plant accumulated depreciation to land improvement accumulated depreciation		9,664,416

The beginning asset balances of structures, construction in progress, equipment, and vehicles were not restated.

Construction in Progress

Construction in progress represents the following projects:

Project Title	Budget	Expenses as of 6/30/04	Projected Completion Date
Facility Expansion	\$ 865,000	\$ 263,348	2005
Huston Creek Facility Expansion	50,000	4,545	2005
Outfall System Study for handling effluent runoff	50,000	4,545	2005
Drill Well Monitor	102,437	5,098	2005
New Telemetry Systems	148,394	4,073	2005
		<u>\$ 281,609</u>	

NOTE 3: LOAN PAYABLE

On January 16, 1997, the District received a revolving fund loan from The State Water Resources Control Board in the amount of \$2,159,508. The proceeds of the loan were used to fund construction of the Huston Creek treatment plant effluent storage reservoir. Of the \$2,159,508 loan amount, \$359,905 was funded by local matching funds. The loan will be repaid in March 2018. At June 30, 2004, the outstanding principal balance is \$1,333,422. A summary of loan payments for the remaining fiscal years is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	85,056	22,919	107,975
2006	86,518	21,457	107,975
2007	88,005	19,970	107,975
2008	89,518	18,457	107,975
2009-2018	984,325	95,430	1,079,755
Total	<u>\$ 1,333,422</u>	<u>\$ 178,233</u>	<u>\$ 1,511,655</u>

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 4: LONG-TERM OBLIGATIONS

The following is a summary of long-term liabilities transactions for the year ended June 30, 2004:

	Principal Balance July 1, 2003	Additions	Retirements	Principal Balance June 30, 2004	Amounts Due Within One Year
Loan Payable	\$ 1,417,041		\$ (83,619)	\$ 1,333,422	\$ 107,975
Compensated Absences	86,994	74,859	(51,464)	110,389	-
Total long-term liabilities	<u>\$ 1,504,035</u>	<u>\$ 74,859</u>	<u>\$ (135,083)</u>	<u>\$ 1,443,811</u>	<u>\$ 107,975</u>

NOTE 5: RETIREMENT PLAN

Plan Description

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). The Plan provides retirement, death, and disability benefits to members. Although legally established as a single employer plan for the County of San Bernardino (which includes this District), the organizations listed below were added later:

City of Big Bear Lake
City of Chino Hills
California State Association of Counties
San Bernardino County Law Library
Crest Forest Fire Protection District
Mojave Desert Air Quality Management District (MDAQMD)
South Coast Air Quality Management District (AQMD)
Local Agency Formation Commission (LAFCO)

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 5: RETIREMENT PLAN - *Continued*

The District and others covered under the Plan are collectively referred to as the "Participating Members". The Plan is governed by the San Bernardino Board of Retirement under the 1937 Act. The Board acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd floor, San Bernardino, California 92415-0014.

Funding Policy

Participating members are required by statute (Sections 31621, 31621.2 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Members are required to contribute 8.36% - 13.46% of their annual covered salary of which the County pays approximately 7%. All employers combined are required to contribute 8.90% of the current year covered payroll. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act. The District's retirement contributions are included in the County's prepaid pension costs. For 2004, the County's annual pension costs can be determined by obtaining a copy of its Comprehensive Annual Financial Report by contacting the Auditor/Controller, 222 W. Hospitality Lane, 4th Floor, Attn: General Accounting Section, San Bernardino, CA 92415-0018.

NOTE 6: FEDERAL AND STATE GRANTS

The District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 7: SELF INSURANCE

The District is insured through the County's self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$1 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$30 million is provided through a Risk Pool

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 7: SELF INSURANCE *Continued*

Agreement with California State Association of Counties (CSAC) Excess Insurance Authority (EIA) Liability Program II.

Workers' compensation claims are self-insured up to \$2 million per occurrence, and covered by CSAC EIA for up to \$10 million for employer's liability, and up to \$50 million for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with CSAC EIA Property Program. The County supplements its self-insurance for medical malpractice claims with CSAC EIA, which provides annual coverage on a claim made form basis with a SIR of \$1 million for each claim. Maximum coverage under the policy is \$11.5 million per claim with an additional \$18.5 million in limits provided by the CSAC EIA General Liability II Program.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, also with CSAC EIA with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in the Risk Management Fund (an Internal Service Fund) except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The liabilities included in the Risk Management Fund are based upon the results of actuarial studies, and include amounts for claims incurred but not reported, and allocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 5.00%. It is the County's practice to obtain actuarial studies at least biennially.

The County has a risk management investment program agreement with the Bank of New York to finance the self-insured general liability, automobile liability, workers' compensation, and medical malpractice programs. The County's investment in the agreements totaled \$45.7 million at June 30, 2004.

The claims liability of \$101.7 million reported at June 30, 2004 is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the claims liability amount in fiscal years 2003 and 2004 were:

County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8: SELF INSURANCE *Continued*

Fiscal Year	Beginning of Fiscal Year Liability (in thousands)	Current-Year Claims and Changes in Estimates (in thousands)	Claims Payments (in thousands)	Balance at Fiscal Year-End (in thousands)
2002-03	\$95,288	\$30,685	(\$32,171)	\$93,802
2003-04	\$93,802	\$45,128	(\$37,221)	\$101,709

NOTE 9: TRANSFERS IN/OUT

Interfund Transfers In/Out transactions are used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital project funds. At June 30, 2004, the District made the following Interfund Transfers In and (Out):

FUND	PURPOSE	AMOUNT
EGS	To EGY capital replacement fund for replacement/major maint.	515,127
EGY	To EGS operations fund for operations & maint. of the system	468,243
EGV	To EGY capital replacement fund for replacement/major maint.	108,000
EGS	From EGY capital replacement fund for op. & maint. of the system	(468,243)
EGY	From EGS operations fund for replacement/major maint.	(515,127)
EGY	From EGV capital expansion	(108,000)
Net Interfund Transfers		\$ -

**County of San Bernardino
Crestline Sanitation District
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 10: NET ASSETS

Net assets represent the difference between assets and liabilities. The net asset amounts were as follows:

	<u>Enterprise Fund</u>
Invested in Capital Assets, Net of Related Debt:	
Net land, land improvements, infrastructure, construction in progress, utility plant in service, structures and improvements, equipment and vehicles.	\$ 9,515,268
Less: Revolving loans payable	<u>(1,333,422)</u>
Restricted	8,181,846
Unrestricted	<u>6,656,657</u>
Total Net Assets	<u>\$ 14,838,503</u>

NOTE 11: SPECIAL ASSESSMENTS – 1915 ACT BONDS

The District issued bonds under the Improvement Act of 1915 (the "bonds") to finance certain sewer improvements. The District reports 1915 Act Bonds according to the provisions of the Government Accounting Standards Boards Statement No. 6. The bonds are a direct liability of the District and therefore are reported on the District's financial statements. The portion of the Utility Plant in Service financed by Special Assessments amounting to \$227,619 is reported as Invested in Capital Assets, Net of Related Debt in the Enterprise Fund. The liability for each Assessment District at June 30, 2002 is zero.